

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Emery County Recreation Special Service District
Castle Dale, Utah 84513

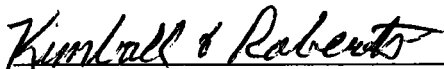
We have audited the accompanying financial statements of the governmental activities of Emery County Recreation Special Service District, a component unit of Emery County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Emery County Recreation Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Emery County Recreation Special Service District as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2007, on our consideration of Emery County Recreation Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 25 through 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 14, 2007
Richfield, Utah

Emery County Recreation Special Service District Management's Discussion and Analysis

The discussion and analysis of Emery County Recreation Special Service District, or the "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the Emery County Recreation Special Service District is to construct improvements for recreation and to provide recreational facilities for the residents of Emery County.

Financial Highlights:

- The Emery County Recreation Special Service District owns one fixed asset, a recreation center which includes their office, it is shown on the balance sheet at cost and will be depreciated over a forty year life using straight-line depreciation.
- At the close of the current year, the District reported Net Assets of \$356,722 of which \$20,300 is reserved for bond retirement. It has Revenue Bonds payable of \$105,000, of which \$21,000 is due and payable in the next year.
- Mineral lease payments are based on coal production from mines on State and Federal lands. The lease revenue is calculated by Mineral Lease Management System. The Special Districts also receive lease revenues on gas production on State and Federal lands. In 2006, total mineral lease allocations from the State decreased. See the following graph which clearly demonstrates the change in revenues.
- Expenditures for the current year total \$351,841, down 32% from last year. Contributions decreased from \$88,261 in 2005 to \$83,086 in 2006 due to reduced projects. The District has two employees, a secretary and a director. The director is salaried and the secretary is hourly. Total wages and benefits for the current year were 28% of total expenditures of the District. Professional rodeo costs were 22% of total expenditures and debt service was 6% of total expenditures.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Emery County Recreation Special Service District as a whole and presents a longer-term view of the District's finances.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Emery County Recreation Special Service District Management's Discussion and Analysis

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the year.

The district has one governmental fund, the general fund. The general fund has unreserved fund balance of \$108,047, which is available to creditors and for use in future years budgets. Unreserved fund balance is 30% of total expenditures in the general fund.

Reporting the District as a Whole

The District realizes revenues from several sources; 1) mineral lease revenues received from the State of Utah, 2) charges for services, 3) revenue from a professional rodeo event sponsored each year, 4) interest earned on invested funds and 5) other sundry revenues.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chairman, Jim Jones, P.O. Box 907, Castle Dale, UT 84513.

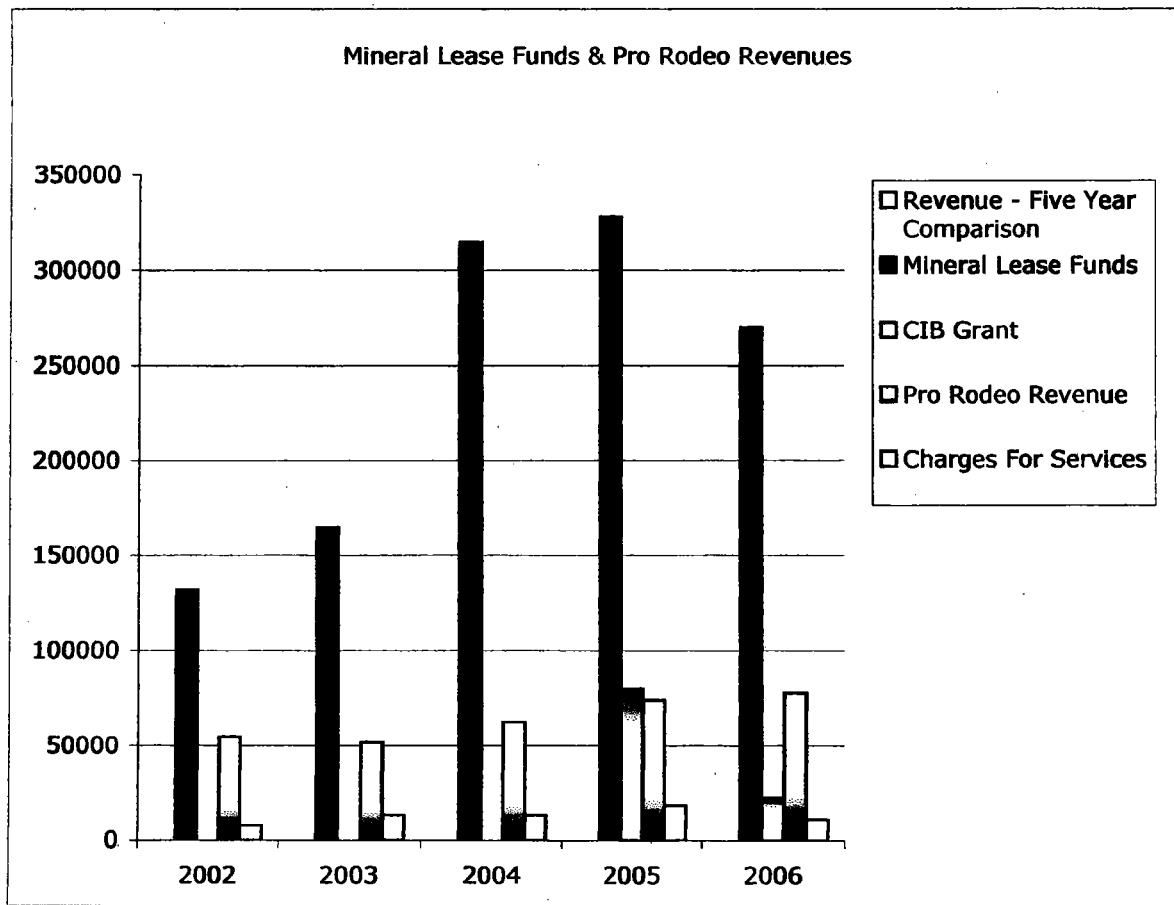
Condensed Financial Statements:

A comparative analysis will be provided in future years when prior year information is available:

	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
Assets:			Revenues:		
Current	110,207	93,131	Charges for Services	90,254	92,737
Non-Current	<u>353,675</u>	<u>359,700</u>	Operating Grants	292,968	407,809
			General Revenues	<u>6,859</u>	<u>3,897</u>
Total Assets	<u>463,882</u>	<u>452,831</u>	Total Revenues	<u>390,081</u>	<u>504,443</u>
Liabilities:			Expenditures:		
Current	23,160	29,349	Current	342,316	452,335
Long-Term	<u>84,000</u>	<u>105,000</u>	Depreciation	<u>9,525</u>	<u>9,525</u>
Total Liabilities	<u>107,160</u>	<u>134,349</u>	Total Expenditures	<u>351,841</u>	<u>461,860</u>
Net Assets:			Change in Net Assets	38,240	42,583
Restricted	20,300	16,800	Beginning Net Assets	<u>318,482</u>	<u>275,899</u>
Unrestricted	<u>336,422</u>	<u>301,682</u>	Ending Net Assets	<u>356,722</u>	<u>318,482</u>
Net Assets	<u>356,722</u>	<u>318,482</u>			

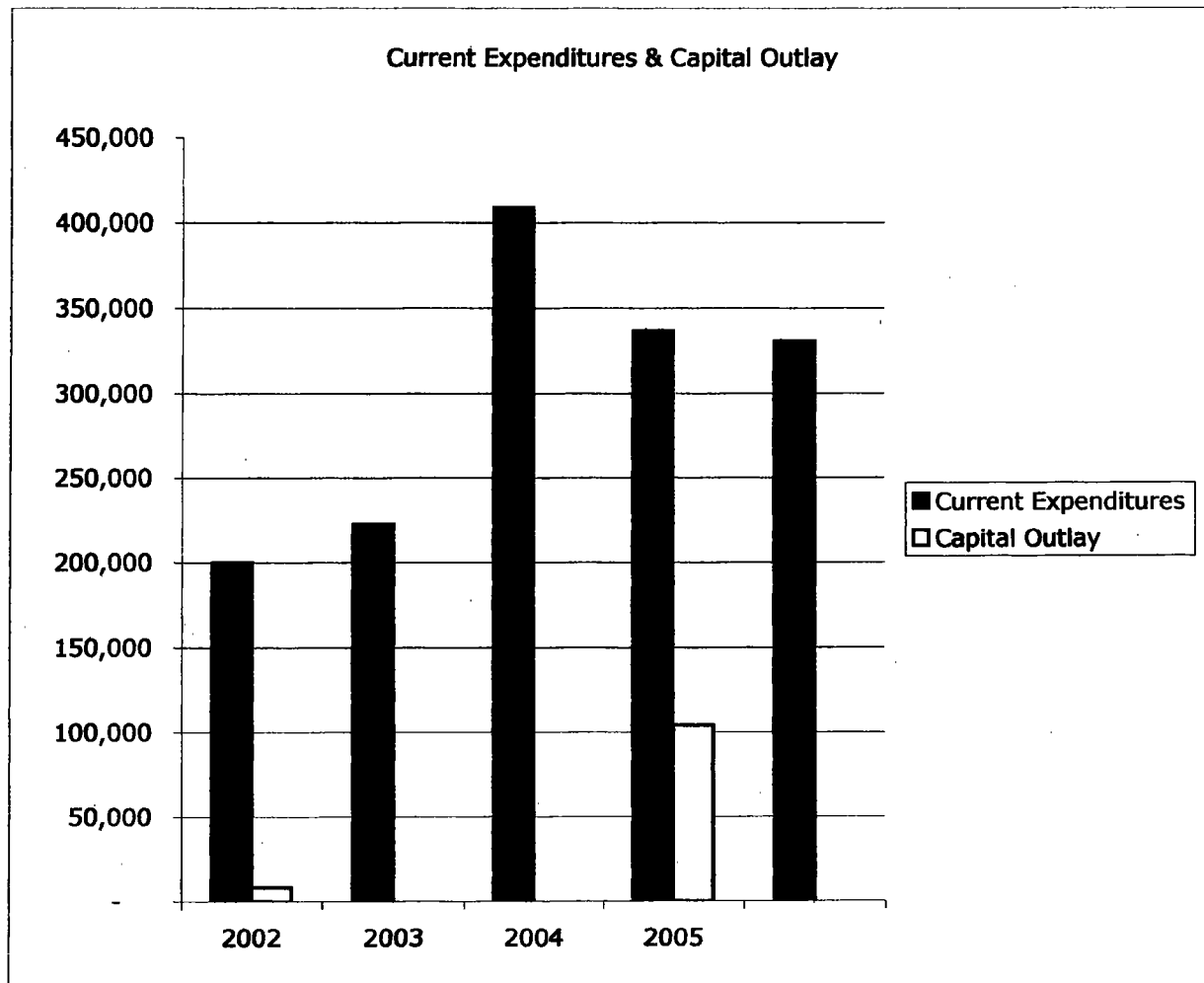
**Emery County Recreation Special Service District
Revenue - Five Year Comparison**

	2002	2003	2004	2005	2006
Mineral Lease Funds	131,519	164,693	314,908	328,046	270,331
CIB Grant				79,763	22,637
Pro Rodeo Revenue	54,701	51,769	62,407	73,973	77,774
Charges For Services	7,865	13,481	13,481	18,694	11,193
Sundry	3,628	45	2,952	70	1,287
Investment Earnings	510	316	1,414	3,897	6,859
Total	198,223	230,304	395,162	504,443	390,081



**Emery County Recreation Special Service District
Expenditures - Five Year Comparison**

	2002	2003	2004	2005	2006
Current Expenditures	199,954	222,786	409,037	336,814	330,841
Debt Service	21,000	21,000	21,000	21,000	21,000
Capital Outlay	8,320	-	-	104,046	-
Total	229,274	243,786	430,037	461,860	351,841



BASIC FINANCIAL STATEMENTS

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	<u>110,207</u>
Noncurrent Assets:	
Restricted Cash	20,300
Capital Assets (Net of Accumulated Depreciation):	
Building	<u>333,375</u>
Total Noncurrent Assets	<u>353,675</u>
TOTAL ASSETS	<u>463,882</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	647
Accrued Liabilities	1,513
Bonds Payable - Due Within One Year	<u>21,000</u>
Total Current Liabilities	<u>23,160</u>
Noncurrent Liabilities:	
Bonds Payable - Due More Than One Year	<u>84,000</u>
TOTAL LIABILITIES	<u>107,160</u>
NET ASSETS	
Invested In Capital Assets, Net of Related Debt	228,375
Restricted for:	
Bond Retirement	20,300
Unrestricted	<u>108,047</u>
TOTAL NET ASSETS	<u>356,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>463,882</u>

The notes to the financial statements are an integral part of this statement.

For The Year Ended December 31, 2006

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS**

December 31, 2006

	<u>General Fund</u>
ASSETS	
Cash and Investments:	
Unrestricted	110,207
Restricted:	
Bond Reserve	<u>20,300</u>
TOTAL ASSETS	<u><u>130,507</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts Payable	647
Accrued Liabilities	<u>1,513</u>
Total Liabilities	<u>2,160</u>
Fund Equity:	
Reserved:	
Bond Reserve	20,300
Unreserved	<u>108,047</u>
Total Fund Equity	<u>128,347</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>130,507</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2006

Total Fund Balances - Governmental Fund Types	128,347
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Building (Net of Depreciation)	333,375
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Revenue Bond Payable	<u>(105,000)</u>
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Net Assets of Government Activities	<u><u>356,722</u></u>
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**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE**

For The Year Ended December 31, 2006

	<u>General Fund</u>
REVENUE	
State Mineral Lease Payment	270,331
Charges for Services	11,193
Pro Rodeo Revenue	77,774
Other	1,287
Interest	<u>6,859</u>
TOTAL REVENUES	<u>367,444</u>
EXPENDITURES	
Current Expenditures:	
Salaries and Wages	67,658
Employee Benefits	31,392
Administrative Expenses	12,435
Office Expense	5,659
Supplies and Maintenance	17,828
Utilities	14,336
Professional Services	14,106
Insurance and Bonds	11,140
Pro Rodeo Costs	78,433
Miscellaneous	6,243
Contributions	18,730
County Projects	64,356
Debt Service	<u>21,000</u>
TOTAL EXPENDITURES	<u>363,316</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	4,128
OTHER FINANCING SOURCES (USES)	
Community Impact Board Grant	<u>22,637</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	26,765
FUND BALANCE - BEGINNING OF YEAR	<u>101,582</u>
FUND BALANCE - END OF YEAR	<u><u>128,347</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	26,765
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	(9,525)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial
resources to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net assets. This
amount is the net effect of these differences in the treatment of long-term debt
and related items:

Principal Payments on Bonds	<u>21,000</u>
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Changes In Net Assets of Governmental Activities	<u><u>38,240</u></u>
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EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Emery County Recreation Special Service District, a component unit of Emery County, was created January 8, 1992, by the adoption of a resolution to establish a special service district by the Emery County Commissioners for the purpose of the construction of improvements for recreation and to provide recreational facilities for the residents of Emery County.

The Special Service District's Administrative Control Board consists of twelve (12) members, nine of which represent the towns or cities which belong to the District and three (3) at large members appointed by the Commission. Five members are appointed to a two (2) year term and seven members are appointed to a four (4) year term.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings

40 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGET PROCESS

Emery County Recreation Special Service District has properly adopted required budgets for 2006. Changes to the adopted budget were properly made by resolution and public hearing of the County Commissioners.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the Special Service Districts deposits was \$6,259 and the bank balance was \$23,284. All of this amount was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	6,259
Investments - PTIF	<u>124,248</u>
Total Cash and Investments	<u><u>130,507</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	110,207
Governmental Activities - Restricted	<u>20,300</u>
Total Cash and Investments	<u><u>130,507</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$0 of the local government's bank balances of \$23,284 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the local government has investments of \$124,248 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 4 - BOND RESERVES

The bond documents for the \$210,000 CIB loan require monthly payments into a reserve fund for 72 months until the reserve reaches \$21,000. At year end the reserves were \$20,300.

NOTE 5 - CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings	381,000	-	-	381,000
Less Accumulated Depreciation For:				
Buildings	<u>(38,100)</u>	<u>(9,525)</u>	<u>-</u>	<u>(47,625)</u>
Governmental Activities Capital Assets (Net)	<u>342,900</u>	<u>(9,525)</u>	<u>-</u>	<u>333,375</u>

Depreciation expense was charged to functions of the District as follows:

General Fund	<u>9,525</u>
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NOTE 6 - GENERAL LONG-TERM DEBT

During 2000 the District obtained financing in the amount of \$210,000 from the State Community Impact Board for the purpose of providing funds to finance all or part of the cost of acquiring and constructing an exhibit hall at the Emery County Fairgrounds. Additional grant monies were also obtained from the Community Impact Board in the amount of \$139,000. The bond proceeds require yearly payments of \$21,000 with 0% interest over ten years starting September 1, 2002.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - GENERAL LONG-TERM DEBT (CONTINUED)

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>
2007	21,000
2008	21,000
2009	21,000
2010	21,000
2011	<u>21,000</u>
	<u>105,000</u>

The following is a statement of changes in Long-Term Debt:

	Balance December 31, 2005	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2006
Mineral Lease Bond Series 2001	<u>126,000</u>	<u>-</u>	<u>21,000</u>	<u>105,000</u>

NOTE 7 - RISK MANAGEMENT

The Emery County Recreation Special Service District conducts recreational activities throughout the County. The District does own and insure a recreation building. However, most of the facilities are owned by Emery County and insured by the County. In 1998, the District obtained a Sports General Liability policy for \$2,000,000 to cover bodily injury, property damage, personal injury and advertising injury arising out of the operation or conduct of "sports activities" as designated in the policy.

NOTE 8 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Emery County Recreation Special Service District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - PENSION PLAN (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

The District is required to contribute a percent of covered salary to the following system; 11.59% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the various systems for the years ending December 31, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$6,855.56, \$6,588.83 and \$5,273.06. The contributions were equal to the required contributions for each year.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended December 31, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the District's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the District's Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND**

For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental:				
State Mineral Lease	338,560	287,000	270,331	(16,669)
CIB Grant	-	-	22,637	22,637
Charges for Services	16,600	11,400	11,193	(207)
Pro Rodeo	64,000	77,400	77,774	374
Other	-	1,300	1,287	(13)
Interest Income	1,000	7,100	6,859	(241)
Contributions and Transfers	66,671	22,671	-	(22,671)
Total Revenues	<u>486,831</u>	<u>406,871</u>	<u>390,081</u>	<u>(16,790)</u>
Expenditures:				
Current:				
Salaries and Wages	61,560	68,125	67,658	467
Employee Benefits	25,400	31,500	31,392	108
Administrative Expenses	11,500	12,500	12,435	65
Office Supplies	2,500	5,600	5,659	(59)
Supplies and Maintenance	19,200	18,100	17,828	272
Utilities	13,700	14,150	14,336	(186)
Professional Services	17,600	14,150	14,106	44
Insurance and Bonds	9,800	11,200	11,140	60
Pro Rodeo Expense	64,000	78,500	78,433	67
Miscellaneous	15,400	6,150	6,243	(93)
Contributions	17,000	18,800	18,730	70
Projects	128,171	107,096	64,356	42,740
Debt Service	21,000	21,000	21,000	-
Capital Outlay	80,000	-	-	-
Total Expenditures	<u>486,831</u>	<u>406,871</u>	<u>363,316</u>	<u>43,555</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	26,765	<u>26,765</u>
Fund Balance - Beginning			<u>101,582</u>	
Fund Balance - Ending			<u>128,347</u>	

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members
Emery County Recreation Special Service District
Castle Dale, Utah 84513

We have audited the financial statements of the governmental activities of Emery County Recreation Special Service District, a component unit of Emery County, as and for the year ended December 31, 2006, which collectively comprise Emery County Recreation Special Service District's basic financial statements and have issued our report thereon dated May 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emery County Recreation Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emery County Recreation Special Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emery County Recreation Special Service District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Emery County Recreation Special Service District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Emery County Recreation Special Service District's financial statements that is more than inconsequential will not be prevented or detected by Emery County Recreation Special Service District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Emery County Recreation Special Service District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable Board Members
Emery County Recreation Special Service District
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emery County Recreation Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 14, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Emery County Recreation Special Service District
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities of Emery County Recreation Special Service District, a component unit of Emery County, for the year ended December 31, 2006, and have issued our report thereon dated May 14, 2007. As part of our audit, we have audited Emery County Recreation Special Service District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

The District also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Emery County Recreation Special Service District's financial statements.)

CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Other Compliance Requirements

The management of Emery County Recreation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The Honorable Board Members
Emery County Recreation Special Service District
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Emery County Recreation Special Service District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 14, 2007
Richfield, Utah